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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 22-05-005:

This is the proposed decision of Administrative Law Judge Douglas M. Long. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's April 27, 2023 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Acting Chief Administrative Law Judge

MLC:jnf
Attachment

Decision **PROPOSED DECISION OF ALJ LONG** (Mailed 3/22/2023)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN
CALIFORNIA GAS COMPANY
(U904G) and SAN DIEGO GAS &
ELECTRIC COMPANY (U902G) for
Authority to Establish a Gas Rules and
Regulations Memorandum Account.

Application 22-05-005

**DECISION ON THE APPLICATION OF SOUTHERN CALIFORNIA GAS
COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY FOR
AUTHORITY TO ESTABLISH A GAS RULES AND
REGULATIONS MEMORANDUM ACCOUNT**

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**DECISION ON THE APPLICATION OF SOUTHERN CALIFORNIA GAS
COMPANY AND SAN DIEGO GAS & ELECTRIC COMPANY FOR
AUTHORITY TO ESTABLISH A GAS RULES AND
REGULATIONS MEMORANDUM ACCOUNT**

Summary

Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E, collectively, Applicants) filed a joint application to each establish a Gas Rules and Regulations Memorandum Account (GRRMA) for a series of upcoming changes to various federal gas safety-related rules and regulations (collectively, Rules Project). By this Application, SoCalGas and SDG&E request authorization to establish the memo account to record costs imposed by current and proposed amendments by the Pipeline and Hazardous Materials Safety Administration (PHMSA) which are:

- a. 49 C.F.R.¹ Parts 191, 192, Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines (GTGS Rulemaking),² and
- b. 49 C.F.R. Parts 192, 195, Pipeline Safety: Valve Installation and Minimum Rupture Detection Standards (Valve Rule), for the years 2021, 2022 and 2023.

This decision finds that SoCalGas and SDG&E did not meet their burden of proof that this memorandum account is necessary or reasonable as proposed. We find instead that the existing Z-Factor in the companies' recent Phase 1 general rate case (GRC) decisions in fact provides appropriate allowances for initial rate relief treatment until the various projects which flow from the new Rules Project are included in subsequent Phase 1 GRCs.

¹ Code of Federal Regulations (CFR).

² Application at 1, footnote 1: "An advanced notice of proposed rulemaking ("ANPRM") was issued by PHMSA on April 8, 2016 giving rise to the GTGS Rulemaking.

This decision adopts, as modified herein, a Rules Project GRRMA, subject to the application of the companies' existing Z-Factor, with separate subaccounts for each of the two proposed new rules, to be effective on the date of this decision. The application of the Z-Factor will be applied one time for both companies to the memorandum account, not to each subaccount.

This decision allows for the potential recovery of costs tracked in a memorandum account that are in excess of the companies' Z-Factor Allowances.

This decision does not assure the future recovery of any costs and does not change existing rates, as with any memorandum account there must be a subsequent reasonableness review.

This proceeding is closed.

1. Background

Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E, collectively, Applicants) filed Application (A.) 22-05-005 on May 4, 2022. A.21-05-010 was filed approximately 12 months earlier by SoCalGas and SDG&E for the identical matters but that application was dismissed in Decision (D.) 22-02-011 without prejudice for the failure to establish a prima facie case. This application is Applicants' second attempt to establish a Gas Rules and Regulations Memorandum Account (GRRMA) for a series of upcoming changes to various federal gas safety-related rules and regulations (collectively, Rules Project).

Protests were timely filed by The Utility Reform Network (TURN) and the Southern California Generation Coalition (SCGC) on June 9 and 10, 2022, respectively. On June 9, 2022, Pacific Gas and Electric Company (PG&E) filed a Response to the Application which offered its general support for the

application.³ There has been no further participation by PG&E, and it was never granted party status.

By Ruling dated May 26, 2022, Applicants were directed to prepare and serve supplemental testimony. SoCalGas and SDG&E served this testimony on June 10, 2022.

A prehearing conference was held on June 24, 2022. The Public Advocates Office of the Public Utilities Commission (Cal Advocates) was granted party status at the prehearing conference. Applicants and intervenors subsequently agreed that evidentiary hearings were not necessary. A Ruling admitted into evidence the testimony as served by all parties after timely motions were filed by the moving parties. Opening and reply briefs were timely filed by SoCalGas and SDG&E, TURN, SCGC, and Cal Advocates. This proceeding was submitted as of January 24, 2023.

2. Issues Before the Commission

There are three issues to be resolved in this proceeding:

- (1) Whether SoCalGas and SDG&E have now established a prima facie case that they will incur incremental costs not otherwise recoverable in rates for the Rules Project;
- (2) Whether a memorandum account is the appropriate ratemaking mechanism to recover any incremental costs for the Rules Project; and
- (3) The appropriate effective date for any new ratemaking mechanism to recover any reasonable incremental costs for the Rules Project.

³ “PG&E is submitting this response to support the general proposition that it is reasonable and appropriate to authorize a utility to establish a memorandum account to record costs associated with new rules and regulations that may be adopted, or new regulatory or court interpretations of existing rules that may occur, between GRC cycles.” Response at 3.

3. Test Year (TY) Ratemaking and the Role of Balancing and Memo Accounts

3.1 Background

The basic underlying system of ratemaking in California has been and remains a forward TY of the expected cost and scope of a utility's operations, that is, the utility's rates are set prospectively in a GRC based upon a forecast of sales and operating costs, plus taxes, interest, and an expected return for the investors based on the investment in long-lived assets that serve the customers. Rates are set to give the company a reasonable opportunity to earn a fair return, but not a guarantee of a specific profit during the actual TY.

Balancing accounts were created to reduce the risks to ratepayers as well as investors where some costs are too uncertain to forecast accurately in a GRC. Refundable rates are set for the program based upon the best available forecast. The courts have accepted that when the Commission approves of the scope of a program in advance, and when there is a subsequent review of the reasonableness of the utility's decision-making and management of the program, then forecast costs can subsequently be "trued up" to actual and any revenue shortfall or overcollection is recoverable by the utility or refundable to ratepayers. The preapproval of the scope of the balancing account averts a finding of retroactive ratemaking, *i.e.*, it becomes an exception to the TY forecast requirement. For a gas utility, for example, the costs of natural gas are highly competitive and difficult to forecast and so a balancing account reduces the risk of overcharging ratepayers if the forecast for the TY proves later to be too high and protects the shareholders if the forecast is too low.

Over time more and more activities have been taken out of the TY forecast and regulated using a balancing account. SoCalGas currently has 46 balancing accounts.⁴ SDG&E's gas department currently has 35 balancing accounts.⁵

Memorandum accounts are much more uncertain: for an activity that has not yet been found to be reasonable and necessary, and where the costs are very uncertain, a utility may be given authority to track those costs and apply to recover the costs later after the utility demonstrates the reasonableness of its actions and the benefit of the activity to the ratepayers. Before the use of memorandum accounts utilities were generally at risk of absorbing activities unforeseen in between GRCs and the company would only be able to recover forecast costs in its next TY. SoCalGas currently has 67 memorandum accounts.⁶ SDG&E has 32 memorandum accounts.⁷

Over time, more and more of the costs incurred by SoCalGas and SDG&E have been included in either balancing or memorandum accounts (113 combined total for SoCalGas and 67 combined for SDG&E's gas department) dramatically reducing the share of the companies' costs subject to forecast risk in the TY forecasts for a Phase 1 GRC.

3.2 The Proposed Memorandum Account for the Rules Project

By this Application, SoCalGas and SDG&E request authorization to establish the GRRMA to record costs imposed by current and proposed

⁴ <https://tariff.socalgas.com/regulatory/tariffs/tariffs-prelim.shtml> Accurate as of February 7, 2023.

⁵ https://tariff.sdge.com/tm2/ssi/tariffs/inc_gas_prelim.html, Accurate as of February 7, 2023

⁶ SoCalGas' Preliminary Statement, accurate as of February 7, 2023.

⁷ SDG&E's Preliminary Statement, accurate as of February 7, 2023.

amendments by the Pipeline and Hazardous Materials Safety Administration⁸ (PHMSA) which are:

- a. 49 C.F.R.⁹ Parts 191, 192, Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines (GTGS Rulemaking),¹⁰ and
- b. 49 C.F.R. Parts 192, 195, Pipeline Safety: Valve Installation and Minimum Rupture Detection Standards (Valve Rule), for the years 2021, 2022 and 2023.

We approve the requests proposed by both SoCalGas and SDG&E to establish a GRRMA as modified below. We apply the existing Z-Factors which are in place for both companies. After first identifying incremental costs only, the companies must apply the Z-Factor allowance and only then record any remaining incremental costs in a GRRMA.

4. Positions of the Intervenorors

4.1 Overview

All the active intervenors, TURN, SCGC, and Cal Advocates opposed the application on every issue. All of the intervenors also agreed that if the Commission were to authorize the memorandum accounts the only correct effective date for the accounts would be the effective date of a final decision in this matter.

SCGC provided substantial persuasive testimony that both SoCalGas and SDG&E have a current and applicable “Z-Factor” adopted in the most recent and

⁸ “PHMSA’s mission is to protect people and the environment by advancing the safe transportation of energy and other hazardous materials that are essential to our daily lives. To do this, the agency establishes national policy, sets and enforces standards, educates, and conducts research to prevent incidents. We also prepare the public and first responders to reduce consequences if an incident does occur.” Accurate as of February 7, 2023.

⁹ Code of Federal Regulations (CFR).

¹⁰ Application at 1, footnote 1: “An advanced notice of proposed rulemaking (“ANPRM”) was issued by PHMSA on April 8, 2016 giving rise to the GTGS Rulemaking.

in their prior Phase 1 GRCs which provides a ratesetting process to address the costs recovery, within a range of parameters, of unforeseen events which could not be anticipated when the currently effective rates were forecast for adoption in the companies' Phase 1 GRCs.

SCGC witness Catherine E. Yap testified¹¹ that the costs of the Rules Project are within the scope of the Performance-Base Ratemaking (PBR) mechanism set forth in SoCalGas's Preliminary Statement, Part XI. SoCalGas and SDG&E should have filed a request for Z-Factor treatment of the costs of complying with the Rules Project. With a Z-Factor, there is a \$5 million deductible for each event¹² that triggers Z-Factor treatment to be applied to the amounts that the Applicants forecast they would incur to comply with each of the two new federal rules. SCGC argues that SoCalGas and SDG&E filed for a memorandum account in order to avoid the application of the Z-Factor.

In its Preliminary Statement, SoCalGas states:

Pursuant to Decision (D.) 19-09-051, Test Year (TY) 2019 General Rate Case (GRC), the Performance Based Regulation¹³ (PBR) Mechanism consists of 1) an authorized base margin effective January 1, 2019 and the related increase for each of the post TYs, 2) a revenue adjustment mechanism, 3) Z-Factor, and 4) gas transmission, distribution, and storage safety reporting requirements.

¹¹ Ex. SCGC-01.

¹² Explicit in SCGC's argument is that each new rule proposed or adopted by the FERC would be a separate and unique Z-Factor. This would mean that each rule would be subject to its own \$5 million deductible rather than treating the two new rules as a single project.

¹³ Interestingly, Southern California Gas Company uses "Performance Based Regulation" in its Preliminary Statement and SDG&E uses "Performance Based Ratemaking" for the complete title of the acronym "PBR."

Further:

Z Factors are exogenous events, unforeseen at the implementation of PBR, largely uncontrollable by management, having a material and disproportionate impact on SoCalGas as described below.

Additionally, Z factors include costs which are not a normal part of doing business, the costs and event are not reflected in the rate update mechanism, and the cost impact must be measurable and incurred reasonably. Potential Z Factors shall include, but are not limited to the items set forth below:

- a. Accounting rule changes promulgated by the Financial Accounting Standards Board (FASB), the Securities and Exchange Commission (SEC) or the California Public Utilities Commission (CPUC);
- b. Tax law changes by the federal government, the State Franchise Tax Board, Board of Equalization, or any local jurisdiction having taxing authority;
- c. Costs resulting from other mandated state, federal, or local governmental programs or from regional environmental programs; (emphasis added.)
- d. In the event that the Catastrophic Event Memorandum Account (CEMA) is subsequently eliminated, material cost impacts resulting from natural disasters; and
- e. Other events meeting the criteria set forth herein.¹⁴

The Z-Factor for SDG&E is similar to SoCalGas's. Both utilities have existing authority for the Z-Factor in their Preliminary Statements that is available for use by each utility. SCGC argues that SoCalGas and SDG&E want to avoid the application of the \$5 million initial adjustment because it would essentially absorb the bulk of the initial costs the companies seek to include in new memorandum accounts, especially if any new account would not include

¹⁴ Source: [GAS G-PRELIM CEMA.pdf \(socalgas.com\)](#) Accurate as of February 7, 2023.

costs before the effective date of this decision. The tariff language is quite detailed in its application:

Operation of the \$5,000,000 Deductible Feature

To limit recoverable Z Factors to material events, the deductible feature of \$5,000,000 was authorized by the Commission in D.97-07-054 to operate as follows:

- a. The deductible is a one-time feature applicable to the first \$5,000,000 in costs for each Z Factor event. For example, if a qualified Z Factor increased costs by \$20,000,000 in each year 1, 2 and 3 above the base level, the deductible will apply in year 1. Thus, the compensable amounts will be \$15,000,000, \$20,000,000 and \$20,000,000 in years 1, 2 and 3, respectively. (SoCalGas Preliminary Statement.)

Although the authority for the SoCalGas Z-Factor is not recent, dating back to D.13-05-010 as implemented by Advice Letter 4505, it is still a current feature in SoCalGas and SDG&E's¹⁵ authorized rates. We need not readdress the reasonableness of the Z-Factor in both companies' Preliminary Statement. Existing in-place rules and tariffs are presumptively reasonable. The only permissible question is whether or not a specific set of circumstances comport with that adopted rule or tariff.

TURN addressed one issue, the correct effective date of the GRRMA. TURN cites to several Commission decisions which support the effective date for

¹⁵ For SDG&E see [GAS GAS-PRELIM PBRVI.pdf \(sdge.com\)](#) at Section VI. ELECTRIC DISTRIBUTION & GAS PERFORMANCE BASED RATEMAKING (PBR) MECHANISM, Part D Z-FACTOR. For SoCalGas, in D. 08-07-046, and Advice Letter 1791-G. (Accurate as of February 7, 2023.)

recording costs in a memorandum account as the effective date of the decision, and not an earlier date.¹⁶

Cal Advocates argued that SoCalGas and SDG&E had not made their case for establishing the GRRMA and correctly observed that although a ruling by the assigned Administrative Law Judge (ALJ) found that the current application was sufficient to warrant continuing with the proceeding, that ruling did not (and could not) find that a prima facie case had been made, and the Ruling explicitly called for additional testimony and justification. Cal Advocates argued that Applicants still failed to justify the need for the GRRMA even after providing supplemental testimony.¹⁷ Cal Advocates' testimony (Ex. Cal Adv-01) argued that SoCalGas and SDG&E had not justified the need for rate relief beyond existing rate allowances.

4.2 The Rules Project Qualifies for Z-Factor

On its surface, the Rules Project meets the definition of a Z-Factor event as described above. It will include costs incurred because of a "mandated" federal program (category c., above) and it would include costs not otherwise provided for in current rate orders. Specifically:

- Exogenous¹⁸ event(s) – Yes.
- Unforeseen when the PBR provisions were adopted – Yes.
- Largely uncontrollable by management – Yes (Subject to exercising prudent and competent management practices.)
- Having a material and disproportionate impact – Probably, depending on when significant expenses and/or capital

¹⁶ TURN Opening Brief at 3, footnote 5, citing: D.06-01-018, p. 3 (citing D.92-03-094, 43 CPUC 2d 596, 600 (1992), 1992 Cal PUC LEXIS 236, at *7).

¹⁷ Cal Advocates Opening Brief at 2-3.

¹⁸ Occurring outside of the control of SoCalGas and SDG&E, in this case, to be imposed by the PHMSA.

expenditures are incurred that are not included in a Phase 1 GRC or other rate setting proceeding.

- The costs are not reflected in the rate update mechanism – Yes.
- The costs impacts are measurable and incurred reasonably – Yes and Yes, subject to a subsequent reasonableness review.

It is reasonable to conclude that the Rules Project meets the criteria of a Z-Factor and any order in this decision should impose the Z-Factor's deductible feature. We will treat the proposed Rules Project as a single triggering event for the Z-Factor. The two subaccounts reflect the separate nature of the two pending new rules which are on a similar adoption track and clearly being addressed by SoCalGas and SDG&E as a single project.

4.3 Z-Factor Deductible

We will not violate the long-standing legal prohibition on retroactive ratemaking. The Rules Project does not have any pre-existing authority that would allow costs to be recorded and recovered in a memorandum account before the effective date of this decision. By way of illustration, the Commission has an existing mechanism to address catastrophic events.¹⁹ A triggering event is a Declaration of a State of Emergency (Declaration) by the Governor of California which activates the existing Catastrophic Event Memorandum Account (CEMA) procedure. By pre-existing authority, the CEMA is able to record costs effective on the date the Declaration determines the event occurred, *e.g.*, an earthquake, or began, *e.g.*, a wildfire. There is no applicable existing exemption for the Rules Project.

We will impose the existing authorized Z-Factor as an initial adjustment to the costs recorded in the GRRMA adopted in this decision and any and all costs

¹⁹ See, for SoCalGas, [GAS G-PRELIM CEMA.pdf \(socalgas.com\)](#) and for SDG&E, [GAS GAS-PRELIM CEMA.pdf \(sdge.com\)](#). Both accurate as of February 7, 2023.

which SoCalGas and SDG&E argue are Rules Project-related that were incurred before the effective date of this decision are excluded. The Z-Factor is to be applied to the Rules Project costs incurred after the effective date of this decision.

4.4 Purpose and Need of the Memorandum Account

The intervenors all argued that SoCalGas and SDG&E have not justified the need for a memorandum account for the Rules Project. The Commission agreed the first time the companies filed, finding that the showing was deficient and failed to make a *prima facie* case, *i.e.*, not enough evidence was presented to support the validity of the claim that a memorandum account was necessary and reasonable. In this application the assigned ALJ even issued a ruling directing the companies to expand the showing and justify that in fact the costs were uniquely beyond those costs the companies would reasonably be expected to incur as a result of normal but imperfectly forecast costs which are recovered in the base rates adopted in the recurring Phase 1 GRCs. The companies' complete showing in this application is still very minimal and thus we find that a very strong burden of proof will apply when the companies file a subsequent application to recover any costs they might record in the GRRMA as authorized herein. The companies have not conclusively shown that they will incur any incremental costs before such a time as the Rules Project may be included in a subsequent Phase 1 GRC or other ratesetting order.

4.5 Effective Date

SCGC succinctly and correctly describes the legal error in the request by SoCalGas and SDG&E to have an effective date that not only precedes the effective date of a final decision in this application, but the companies request authority to record costs from the date a prior rejected application was filed. As

discussed below, we adopt an effective date for the adopted GRRMA as the date of this decision.

4.5.1 Retroactive Effective Date

SoCalGas and SDG&E request that the proposed GRRMA should be effective May 14, 2021, the date that they filed A.21-05-010, for the same Rules Project, which was dismissed without prejudice for failure to establish a prima facie case by D.22-02-011. We deny this unusual effective date request with prejudice as discussed below. We find the effective date request to be egregious and so we specifically deny it to foreclose SoCalGas or SDG&E making a similar request in the future.

California has long used a “forward test year” of the reasonable, likely costs for a utility to provide service to customers and to allow the company a reasonable opportunity to earn a fair return on the shareholders’ equity investment. The current embodiment of this model is the Phase 1 GRC. It has long been held that the utility may only recover the approved forecast and that in the standard model the Commission does not revisit rates to adjust to actual costs. Absent a specific order before the event by the Commission to reset rates to actual costs any later adjustment would be deemed “retroactive ratemaking” and is otherwise prohibited.

Exceptions have been made and now balancing accounts and memorandum accounts are widely used to provide advance approval of an activity to specifically avoid a finding of retroactive ratemaking. The key element is “advance approval.” No party to this proceeding accepts any of the arguments made by SoCalGas and SDG&E that the effective date should be the date the companies filed the previously denied and closed application. Nor do they accept a secondary position of an effective date of the filing of this

application. All of the intervenors agree that the only correct effective date would be the effective date of this decision.

SoCalGas and SDG&E may not record in the memorandum accounts any costs incurred before the effective date of this decision and before applying the annual Z-Factor adjustment, in the GRRMA.

5. Comments on Proposed Decision

The proposed decision of ALJ Douglas M. Long in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

6. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Douglas M. Long is the assigned ALJ in this proceeding.

Findings of Fact

1. The PHMSA has initiated two current or proposed safety-related rules and regulations identified as the Rules Project: 49 C.F.R. Parts 191, 192, Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines (GTGS Rulemaking), and 49 C.F.R. Parts 192, 195, Pipeline Safety: Valve Installation and Minimum Rupture Detection Standards (Valve Rule), for the years 2021, 2022 and 2023.

2. SoCalGas and SDG&E were previously denied authority to establish GRRMAs when they failed to provide a prima face case.

3. SoCalGas and SoCalGas have sufficiently demonstrated that they must comply when PHMSA implements either or both rules in the Rules Project.

4. SoCalGas and SDG&E must still demonstrate that any costs recorded in a new memorandum account for the Rules Project are incremental and reasonable.

5. SoCalGas and SDG&E have an existing Z-Factor rate mechanism which imposes a \$5 million adjustment to the costs of the Rules Project.

6. Memorandum accounts could track any costs in excess of the annual Z-Factor allowance pending a future reasonableness review.

Conclusions of Law

1. SoCalGas and SDG&E established a prima facie case that a GRRMA is potentially necessary if PHMSA adopts final applicable rules for the Rules Project.

2. SoCalGas and SDG&E each have an existing adopted and effective ratesetting Z-Factor mechanism designed to balance the interests of ratepayers and Applicants for the costs proposed for recovery in the requested GRRMA.

3. It is reasonable to impose a one-time Z-Factor \$5 million adjustment to the costs to be recorded in the GRRMA.

4. The proposed effective date prior to the effective date of a decision in this matter as sought by SoCalGas and SDG&E is defective. It would be a reversible legal error, prohibited retroactive ratemaking, to grant an effective date for a memorandum account that precedes the effective date of the decision authorizing the memorandum account.

5. It is within the Commission's authority to allow SoCalGas and SDG&E to establish a GRRMA to be effective on the date of this decision.

6. It is reasonable to require SoCalGas and SDG&E to establish a separate subaccount within the GRRMA for each new rule adopted by the PHMSA.

7. This proceeding should be closed.

O R D E R**IT IS ORDERED** that:

1. The application by Southern California Gas Company (SoCalGas) to establish a Gas Rules and Regulations Memorandum Account (GRRMA) is approved as modified:

- (a) SoCalGas may establish a GRRMA. Any GRRMA must have separate subaccounts for:
 - (i) Code of Federal Regulations Parts 191, 192, Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines (GTGS Rulemaking), and
 - (ii) Code of Federal Regulations Parts 192, 195, Pipeline Safety: Valve Installation and Minimum Rupture Detection Standards (Valve Rule).
- (b) SoCalGas shall adjust the initial balances recorded in its GRRMA by a single \$5 million adjustment as authorized by its existing ratesetting Z-Factor.
- (c) SoCalGas shall file an application to seek recovery of the GRRMA subject to a full and complete reasonableness review. SoCalGas may choose to file either a separate GRRMA reasonableness review application or include the GRRMA in a subsequent Phase 1 General Rate Case. SoCalGas bears the burden of proving the reasonableness of the costs recorded in the account when it applies for rate recovery.
- (d) SoCalGas shall only record costs incurred on or after the effective date of this decision.

2. The application by San Diego Gas & Electric Company (SDG&E) to establish a Gas Rules and Regulations Memorandum Account (GRRMA) is approved as modified:

- (a) SDG&E may establish a GRRMA. Any GRRMA must have separate subaccounts for:

- (i) Code of Federal Regulations Parts 191, 192, Pipeline Safety: Safety of Gas Transmission and Gathering Pipelines (GTGS Rulemaking), and
 - (ii) Code of Federal Regulations Parts 192, 195, Pipeline Safety: Valve Installation and Minimum Rupture Detection Standards (Valve Rule).
- (b) SDG&E shall adjust the initial balances recorded in its GRRMA by a single \$5 million adjustment as authorized by its existing ratesetting Z-Factor.
 - (c) SDG&E shall file an application to seek recovery of the GRRMA subject to a full and complete reasonableness review. SDG&E may choose to file either a separate GRRMA reasonableness review application or include the GRRMA in a subsequent Phase 1 General Rate Case. SDG&E bears the burden of proving the reasonableness of the costs recorded in the account when it applies for rate recovery.
 - (d) SDG&E shall only record costs incurred on or after the effective date of this decision.
3. Application 22-05-005 is closed.

This order is effective today.

Dated _____, at San Francisco, California.